



Statement of
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***“The Services Sector and the Opportunity for
Growth and U.S. Jobs
Through the Pending FTAs”***

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Hearing on the Pending FTAs with
Colombia, Panama, and South Korea
and the Creation of U.S. Jobs

MetLife, Inc., is a leading global provider of insurance, annuities and employee benefit programs, serving 90 million customers in over 60 countries. Through its subsidiaries and affiliates, MetLife holds leading market positions in the United States, Japan, Latin America, Asia Pacific, Europe and the Middle East. MetLife does business in all the markets affected by the three pending free trade agreements – Colombia, Panama, and South Korea.

Chairman Camp, Ranking Member Levin, and distinguished members of the House Committee on Ways and Means; thank you for the opportunity to testify today. My name is William J. Toppeta, and I am President of MetLife International. Many Americans know MetLife as the nation's largest life insurer. Over the past ten years, and especially with the recent acquisition of Alico, our international business has grown significantly. MetLife holds leading positions (top 5) in our industry in nearly half of the 60 markets in which we operate.

In addition to my MetLife responsibilities, I would like to cite here some of the additional roles that influence and inform my testimony today. I represent our company's close involvement with the U.S. Chamber of Commerce, as well as our engagement with the American Chambers of Commerce around the world. I am Vice Chair of the U.S.-Korea Business Council, and serve on the Boards of the Korea Society and the Council of the Americas. I am also Chairman of the Coalition of Service Industries, a group of industry leaders that champions the cause of free trade specifically in the services sector. Further, I am the immediate past chair of the International Committee of the American Council of Life Insurers. MetLife is active in both the U.S.-Korea FTA Business Coalition and the Latin American Trade Coalition.

First, let me state that MetLife strongly supports passage of the three pending trade agreements with Colombia, Panama, and South Korea. I would like to describe why these agreements are so essential from the perspective of a U.S. multinational insurance company and how they help us be more competitive, spur positive business growth at home and abroad, and create and preserve jobs here in the United States. Next, I will also discuss the financial services sub-sector and some of the unique opportunities provided through trade in general and these pending FTAs in particular. And finally, I will touch on some data points and the trade success story represented by the U.S. services sector overall.

KORUS for Financial Services: A Growth Opportunity

As we all know, one of the world's most vibrant markets is the Republic of South Korea—truly a continuing economic marvel. In just the past 50 years, the post-war transformation of the South Korean economy has been impressive by all measures. In our industry alone, Korea represents the 8th largest insurance market worldwide, and the largest covered by a U.S. FTA.

The pending free trade agreement between the United States and South Korea, known as the KORUS FTA, is widely understood to be the most economically significant of the pending FTAs. There is great appreciation of that fact both in Congress and in the business community. This substantial opportunity is widely replicated across many industries and all sectors.

The KORUS FTA financial services chapter breaks new ground in ways that can help shape trade in other markets around the world. There simply is no better, more comprehensive trade agreement for financial services firms—whether the topic is regulatory transparency, data management, time to market, or level playing field commitments with government-affiliated enterprises.

This agreement enables job growth here in the United States. Speaking for my company I can tell you the KORUS FTA will enhance MetLife's ability to grow in the Korean market and consequently to grow our U.S. workforce. The number of MetLife's U.S. jobs that service our business overseas has increased steadily in recent years; evidence that our growth overseas means increased domestic U.S. jobs. These are highly skilled positions in product development, actuarial, investments, risk management, information technology, marketing and finance for our global operations.

The Latin American Opportunity: Colombia and Panama

MetLife has long been committed to Latin America and strongly supports the Colombia and Panama FTAs. Our focus on Latin America has been in evidence for a number of years, significantly advanced by our 2002 acquisition of Aseguradora Hidalgo S.A., a government-owned life insurer, which made MetLife the largest life insurer in Mexico. We have recently expanded our Latin American presence and are operating in more than a dozen markets in the region.

We have great interest in the market and regulatory improvements that will be enabled by the FTAs with Colombia and Panama. The agreements will bolster the rule of law, investor protections, and transparency and accountability in business and government.

Free Trade Agreements and Life Insurers

As a life insurance company, we have operations in many countries around the world, but we do not export physical products—instead, we export competencies and expertise. This has significant implications for the creation of U.S.-based jobs and for the obstacles we sometimes face in foreign markets.

For us, and for many in the services industries, the most important challenge to doing business is not tariffs, but non-tariff barriers that exist in areas such as regulation, investment restrictions, and data management rules, to name a few. Trade agreements are an important vehicle for us to address those non-tariff barriers to doing business abroad.

Additionally, in many markets, we compete with businesses that are either owned by or affiliated with the foreign government. Trade agreements are one of the most effective ways for us to get commitments to level the playing field for competition between state-owned or state-affiliated enterprises and private businesses like ours.

Regulatory certainty and predictability are essential to the insurance business and the financial services market in general. Higher standards of regulatory transparency like those in these agreements give U.S. financial services companies greater confidence and ability to make the large capital investments needed to expand their businesses into new and growing markets.

The FTAs contain significant and rigorous regulatory transparency obligations. In the United States, we may take for granted that we know what the law requires. In many other markets this is not at all the case, making market entry, product approvals, commitment of capital, and operations less predictable. Under the KORUS FTA, for instance, U.S. insurers will have notice of, and a more meaningful opportunity to comment on, Korea's insurance regulations in a predictable manner and well in advance of these regulations taking effect. The KORUS FTA provides standardized "notice and comment" procedures for the insurance sector and grants U.S. firms access to regulatory information on an equal basis with Korean competitors. Furthermore, it implements the adoption of a "negative list" approach for financial sector regulation, meaning insurers will be allowed to provide any product or service unless specifically prohibited or curbed by regulation. This reform is particularly useful for introducing new, innovative products to the market, enabling our business to grow.

Consequently, the KORUS FTA will also allow U.S. insurers to compete with state-owned enterprises such as Korea Post and other government-affiliated insurance providers under essentially the same regulatory requirements. Korea's commitments in the FTA to a number of reforms are intended to level the playing field between government-owned Korea Post, sectoral cooperative insurance providers, and the private sector. These commitments are vital to the growth of MetLife in Korea, and contribute to further opening the market and reducing trade and investment barriers.

The KORUS FTA eases the ability of U.S. insurers and asset managers to provide cost-efficient service by maximizing the efficiency of regional operations while streamlining key aspects of Korea's insurance regulatory environment. In particular, the agreement

allows for much greater flexibility in the management of data across borders. Further, the agreement enables U.S. insurers to bring new insurance products to market more quickly. Within one year of implementation, the KORUS FTA will establish expedited approval procedures allowing most new insurance products to be introduced in the market within shorter timeframes, adding to U.S. firms' competitiveness and ability to innovate. It also establishes a bilateral Insurance Working Group and an ongoing consultative process which will allow U.S. firms to address changing conditions in Korea's marketplace and pursue additional market-opening measures in the future.

Facing Global Competitors on a Level Playing Field

As you know, U.S. companies are competing with companies from many other countries. To ensure our economy remains competitive, we cannot afford to neglect the significance of trade agreements in facilitating growth. The rest of the world is busy negotiating trade agreements, and frankly, the United States is falling behind. In his New Year's Address, South Korean President Lee stated that his administration has concluded trade agreements with the EU, India, and other countries constituting two-thirds of the entire world market. The Korea-EU trade agreement is on track to be implemented this year, and if it is ratified before the agreement with the United States, U.S. companies will be disadvantaged compared to their EU competitors. You are probably aware that MetLife has some major European competitors, and we certainly would not want to cede any competitive advantage to them by failing to enact the KORUS FTA.

Having discussed my own industry and company in some detail, let me turn more broadly to the services sector of which insurance is a part.

The Services Sector – a United States Success Story Poised to Benefit from FTAs

The services sector is surprisingly diverse, which further enhances the importance of the role it plays in job creation. To illustrate that diversity, consider the following partial list of services we export—insurance, banking, express delivery, transportation,

telecommunications, software, advertising, computer and information services, research and development services, legal and accounting services, and travel services.

It is clear that one of the greatest competitive advantages for the United States is its strength in providing services around the world. The United States has met with extraordinary success in exporting our services expertise, and we are poised to do even better with the help of the pending FTAs.

The United States has, for many years, enjoyed a substantial trade surplus in services. In 2009, U.S. exports of services reached \$483 billion, with a surplus of \$150 billion. This is a very important point; we have a trade surplus in the services sector. Most recently through the first 11 months of 2010, the U.S. services trade surplus was \$150 billion.

And, our trade surplus in services is doubly important because services constitute the vast majority of the U.S. economy—75% of our GDP. Nationwide, more than 80% of the entire U.S. workforce is employed in services. Recent U.S. Census data show that in 416 of the 435 congressional districts, more than 70% of the workforce is employed in the services sector. For the remaining 19 districts, the figure is higher than 60%.

Chairman Camp, I know you are aware that in Michigan's 4th Congressional District which you represent, 76.7% of jobs are in the services sector. Ranking Member Levin, the percentage of services jobs in the 12th Congressional District is slightly higher at 80.7%. Both of you share the home state of Michigan, which boasts more than 77% of the jobs in the services sector. We are expressing these impressive services jobs statistics in terms of congressional districts because we know in our representative democracy that congressional districts provide a snapshot of the American workforce.

Consistent with these workforce numbers, services account for more than 75% of our country's economic output, yet they only account for 40% of our exports. This percentage disparity can be partly accounted for by barriers to services trade—and the

disparity shows the huge untapped potential of the services sector. This is a potential for productive economic output and for job creation.

For a services company like MetLife, a significant portion of our product development, investment and risk management, financial analysis, technology development and marketing is done in the United States in support of our international operations. For example, when MetLife creates a product to sell in London, Seoul, or Tokyo, we do so using our actuaries, risk managers, financial analysts, technology experts and investment and marketing specialists in the United States. So as we grow our business internationally, we are expanding employment of highly skilled talent in the United States. And for each of those experts we hire in the United States, there is a broad base of U.S. support jobs behind them, in areas such as human resources, IT, project management, research and administrative assistance.

Interconnectedness of Services, Agriculture and Manufacturing

In addition to exports of direct services, it is important to remember that the services economy serves as an enabler and multiplier in the agriculture and manufacturing sectors. Banking, insurance, accounting, express delivery and telecommunications, for example, are all essential elements to the success of businesses of any size or type. Services facilitate greater productivity in the goods and farming sectors. Also, larger companies rely on the services and products supplied by smaller ones.

It is impossible to imagine running a manufacturing or farming enterprise without the services of banking, insurance, software, express delivery, and telecommunications. Using MetLife as an example, we are an employee benefit provider to companies large and small in all sectors of the economy (these are our customers) and we ourselves are a massive purchaser of telecommunications, software, express delivery, banking and financial services.

We are all dependent on one another to grow and succeed—manufacturers, agriculture, and services providers of all sizes.

**Job Growth: The Opportunity for Financial Services Companies and Life Insurers
Presented By Free Trade Agreements**

The expansion of American companies into international markets has long supported economic growth and employment here at home. Insurance premium growth rates outside the United States are double or triple those here at home and in some developing markets the growth rates are even greater. This relative growth opportunity, coupled with the recent economic challenges, makes it more critical than ever for U.S. workers and businesses to be able to compete and succeed in the global marketplace. To take MetLife as an example, our revenue growth in the United States was about 1% last year compared to double-digit growth internationally.

There are many benefits to operating internationally for U.S. companies. For one thing, having diverse international operations provides a natural hedge for market risk. While one market might be contracting, another may well be expanding, so diverse presence helps companies balance their performance. We saw this very clearly in the recent financial crisis. While some of our markets were hit very hard by the crisis, others saw little impact or recovered very quickly (like South Korea). This diversification allowed us to sustain the number of U.S.-based employees supporting our international business as we navigated through the crisis.

To fully recover from this recession and ensure long-term growth, one of our nation's top priorities must be to create millions of jobs; and especially high paying ones like investment and export-oriented jobs that global American companies can create.

A recent study released by the Business Roundtable and the United States Council Foundation showed that U.S. workers at global American companies make on average about 20% more than at companies that operate only domestically. The study confirms

that American multinational companies, which account for a quarter of all private sector output and employ 22 million U.S. workers, create more U.S. jobs through their participation in the global economy. Furthermore, their international operations complement – rather than substitute for – domestic employment, employee compensation and investment. The equation is simple – more business overseas means more jobs at home.

To tap that overseas growth, it is essential to have free and open trade between nations, and agreements that recognize the importance of the services sector and create level playing fields for our business to compete in vibrant markets around the world. This is core to free trade agreements and why MetLife strongly supports the three pending free trade agreements with Colombia, Panama, and South Korea.

East Asia (South Korea) and Latin America (Colombia and Panama) are perfect examples of the growth opportunities that exist for U.S. services providers and life insurance companies. In many regions of the world, particularly in the developing economies of many countries in Latin America and Asia, we see double-digit growth rates. For example, MetLife's compound annual growth rate in earnings in Korea was 20% from 2005-2009. Time and time again we hear that 95% of the world's consumers are outside the borders of the United States. For U.S. life insurers to grow in a substantial way we must have equal access to the developing economies that are doing so.

In each of the three markets covered by pending FTAs, MetLife is known as a product innovator with a track record of success in keeping promises and providing protection and guarantees to our customers. It is this very role as an experienced product innovator overseas that leads to expansion of U.S.-based jobs for insurance professionals.

Conclusion

The services sector is an American success story and an engine for growth and jobs. With the level playing field provisions and regulatory transparency the pending FTAs will help provide, the services sector is poised to achieve even greater success. Without question, the financial services sub-sector, of which MetLife is a part, is extremely enthusiastic about the market opportunities these FTAs will create in countries which are important both economically and strategically.

We strongly encourage passage of the Colombia, Panama, and in particular the South Korea agreement.

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